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# GAIN Report

Global Agricultural Information Network

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## France

**Post:** Paris

### The End of EU Broiler Export Refunds Will Hurt France

**Report Categories:**

Poultry and Products

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**Report Highlights:**

On July 19, 2013, the EU suspended all export refunds for poultry. These refunds had been going almost exclusively to two French exporters of frozen broilers. Unsurprisingly, the decision has been strongly criticized in France. While eliminating the export refunds will not stop all French poultry exports to the Middle East, is likely to further weaken the industry, which has already been experiencing financial difficulties.

### General Information:

On July 18, the EU Commission decided to suspend export refunds for poultry meat. Commission [Implementing Regulation 689/2013](#) sets all poultry meat export refunds to zero. For the past few years, only exports of frozen whole broilers benefited of export refunds, and only to specific countries, i.e., Commonwealth of Independent States (Ukraine, Belarus, Moldova, Russia, Georgia, Armenia, Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, Kyrgyzstan), Angola, Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, United Arab Emirates, Jordan, Yemen, Lebanon, Iraq and Iran.

The commission had been steadily reducing those refunds since 2012:

Decision Date	Refund (€ per MT)
21-Oct-11	325
19-Jan-12	325
19-Apr-12	325
20-Jul-12	325
19-Oct-12	217
19-Apr-13	108.5
18-Jul-13	0

France is almost the only EU exporter of frozen whole chicken to the above destinations, and these exports represent about 30 percent of the French chicken production. In 2012, France exported 242,000 metric tons of frozen whole chicken valued at \$441 million.

France (Customs) Export Statistics						
Commodity: 020712, Meat And Edible Offal Of Chickens, Not Cut In Pieces, Frozen						
Calendar Year: 2010 - 2012						
Partner Country	Unit	Quantity			% Share	% Change
		2,010	2,011	2,012	2012	2012/2011
World	T	221,966	258,754	241,707	100.00	- 6.59
Saudi Arabia	T	116,071	148,108	147,297	60.94	- 0.55
Yemen	T	39,576	37,997	34,389	14.23	- 9.49
United Arab Emirates	T	11,457	10,773	17,816	7.37	65.38
Oman	T	11,518	10,841	10,397	4.30	- 4.10
Jordan	T	7,041	16,619	5,107	2.11	- 69.27
Kuwait	T	1,386	433	2,566	1.06	492.20
Qatar	T	1,442	1,950	1,383	0.57	- 29.09
Bahrain	T	1,501	1,708	1,277	0.53	- 25.23
Russia	T	9,345	584	665	0.27	13.86
Angola	T	1,764	1,211	585	0.24	- 51.72
Others	T	20,865	28,530	20,225	8.37	-29.11
Total	T	221,966	258,754	241,707	100.00	-6.59

Source of Data: Direction Nationale des Statistiques du Commerce Extérieur – DNSCE / World Trade Atlas

Only two French companies are exporting frozen whole broilers. The major one, *DOUX*, is under receivership after filing for bankruptcy in June 2012. It received € 55 million (\$ 71.5 million) in refunds in 2012 out of a € 650 million (\$845 million) in total sales and had expected to receive around € 25 million (\$ 32.5 million) in refunds in

2013. The other company, *Tilly Sabco*, is much more dependent on export refunds, having received € 19 million (\$ 24.7 million) of EU support in 2012 out of € 136 million (\$ 177 million) in total sales. *Tilly Sabco* had planned to receive € 4 million (\$ 5.2 million) of EU refunds in 2013.

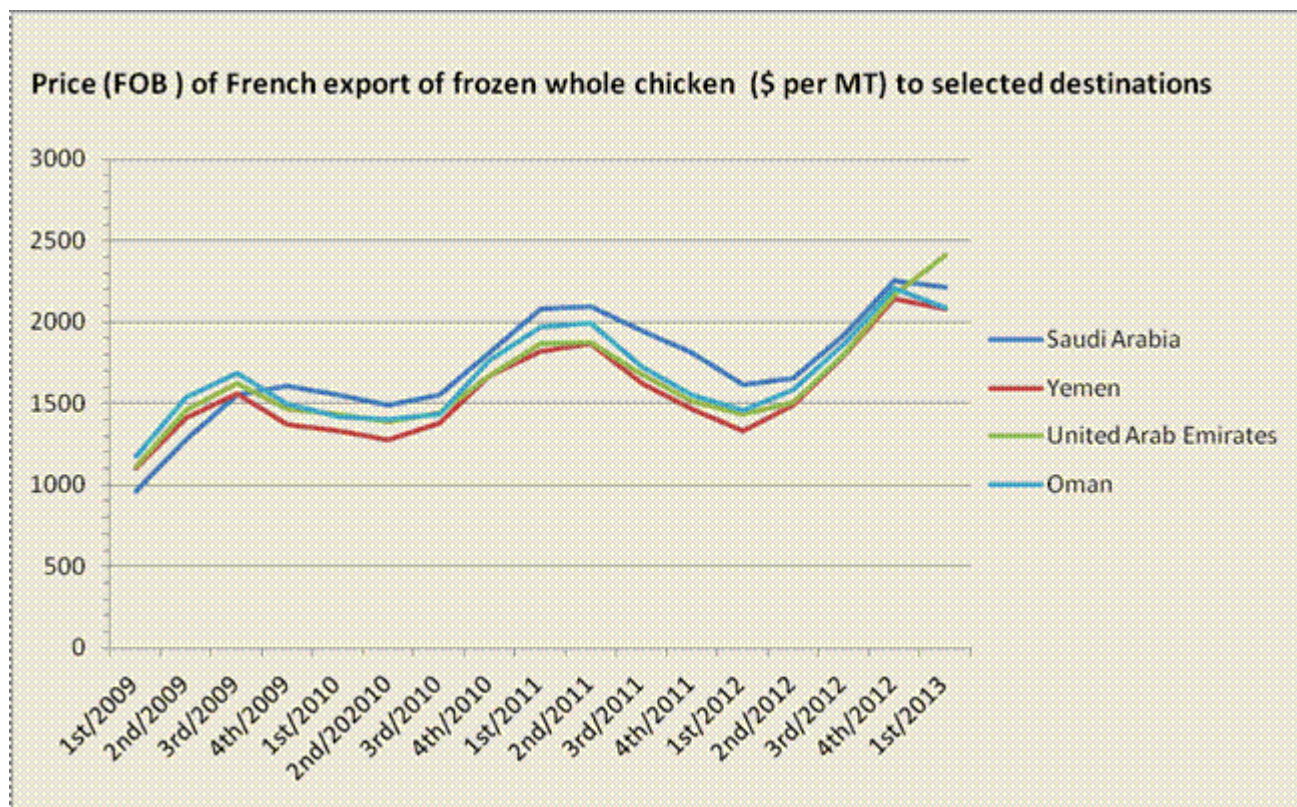
The Commission's decision generated an outcry in the French poultry meat sector, with the main French farmers' union (FNSEA) calling on to the French President to force the Commission to reverse its decision. Both Ministers of Agriculture Stéphane Le Foll and Minister for Food Industry Guillaume Garot [criticized](#) the decision.

According to the Ministry, 10 Member States sided with France against the removal of the refunds, with only 12 supporting it. However, privately, most poultry experts and some officials acknowledge that the French position was unsustainable with only two companies benefiting from the EU refunds.

The Commission's recent decision means that *DOUX* will probably need to reduce its annual expenses by at least € 10 million (\$13 million), mainly by not renewing purchases contracts with hundreds of farmers who supply the birds. Several slaughterhouses may also be at risk, with more than 2,000 jobs put in jeopardy. To protest the decision, *Tilly Sabco* has decided to temporarily suspend its operations and announced that it will take the Commission's decision to court. Experts note, however, that it has little chance of success, since the decision is legal in regards to EU rules.

In the longer term, poultry analysts believe the impact of the end of export refunds is somewhat exaggerated.

The halving of those refunds in 2012 did not impact French broiler exports to Saudi Arabia or Yemen (and in early 2013 as well) , even though FOB French export prices to Saudi Arabia went up from \$1,616 to \$2,211 per metric ton during the period. In the same 12-month period, Brazil FOB export price to Saudi Arabia went from \$1,706 to \$2,053 per metric ton.



French frozen chicken exports are well suited to Middle Eastern markets, which are looking for small birds (less

than 1kilogram, 40 days old at slaughter) which many competitors cannot supply. French exporters have a decades-long relationship with well-established importers and distributors to the point that some Saudi chicken importers proposed to support the *DOUX* Company when it went bankrupt in 2012. So, overall, the end of the EU export refund will not eliminate French frozen chicken exports to the Middle East (a 10 to 15 percent decline should be the maximum) but will certainly further weaken these exporting companies, which are already facing severe financial strain and very low operating margins.